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5 **BEFORE THE PUBLIC UTILITIES COMMISSION**  
6 **OF THE STATE OF CALIFORNIA**  
7

8 Order Instituting Rulemaking on the Commission's  
9 Own Motion to Assess and Revise the Regulation of  
10 Telecommunications Utilities.

R.05-04-005

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14 **OPENING COMMENTS OF**  
15 **CITIZENS TELECOMMUNICATIONS COMPANY OF CALIFORNIA INC. d/b/a**  
16 **FRONTIER COMMUNICATIONS OF CALIFORNIA (U 1024 C)**  
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May 31, 2005

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**I.**

**INTRODUCTION**

Pursuant to the Order Instituting Rulemaking mailed on April 14, 2005 ("OIR"), Citizens Telecommunications Company of California Inc. d/b/a Frontier Communications of California ("Frontier") provides these opening comments addressing revisions to regulation of telecommunications utilities proposed in the OIR. Frontier supports the OIR's goals to adopt a regulatory framework that is competitively and technologically neutral and also encourages technological innovation, economic development and employment in California. A uniform regulatory framework that tracks, with minor modification, the framework identified in Appendix A, Issue 10 will further these goals.

**II.**

**THE COMMISSION SHOULD REFORM ITS REGULATION OF NRF CARRIERS.**

Appendix A provides a list of issues to consider relative to a new uniform regulatory framework. For purpose of responding to Issue Nos. 1-9, Frontier supports adoption of a uniform regulatory framework that tracks the features identified in Issue No. 10, with minor modifications and several additions. The following responds to the issues raised in Appendix A.

1  
2 Issue No. 1: Is there a uniform regulatory framework that can be applied to all providers of  
3 regulated intrastate telecommunications services? If so, every element of the uniform  
4 regulatory framework should be identified and described in detail. Any party that  
5 recommends a specific framework should provide adequate information for the  
6 Commission to implement the framework.

7 Response:

8 Frontier proposes adoption of a regulatory framework that relies on the elements identified in  
9 the OIR as the starting point, with some modifications and additions. Changes to the elements as  
10 stated in the OIR are noted with ~~strikeout~~ or underline for ease of reference. Specifically, such a  
11 framework should incorporate the following elements:

- 12 A. No price regulation except for basic local exchange access line services, ~~as that~~  
13 service is defined in D.96-10-066, provided by the large and medium-sized  
14 ILECs to residential ~~and business~~ customers.  
15 B. No imputation rules.  
16 C. Use advice letter filings to revise prices for all services provided by the large  
17 and medium-sized ILECs, except residential basic local exchange access line  
18 services. Price ~~changes~~decreases could be implemented ~~on one day's~~  
19 notice after filing an advice letter, but ~~and~~ price increases could occur only after  
20 30 day's written notice to customers.  
21 D. No limitations on promotions.  
22 E. Adopt FCC resale requirements.  
23 F. Allow ILECs to keep gain on sale.  
24 G. Decouple Yellow Page revenues from ILEC telephone operations.  
25 H. ~~Refrain~~Forbear from price regulation of new services and new technologies.  
26 I. Forbear from separate intrastate reporting requirements. Conform financial  
27 reporting requirements to ARMIS as those reporting requirements apply to a  
28

1                    particular carrier.

2                    J. No limitations on the bundling of services.

3                    K. Conform affiliate transaction rules to those promulgated by the Federal  
4                    Communications Commission. Eliminate CPUC affiliate transaction reporting  
5                    requirements.

6                    With respect to elements A and C of this proposal, Frontier believes that all services,  
7 including residential basic exchange local access service, should be treated the same under a uniform  
8 framework, and although Frontier has proposed an initial exemption for residential basic exchange  
9 local access service under those services, the Commission should eliminate those exemptions at its  
10 earliest possible opportunity.

11  
12 Issue No. 2:    What specific steps are necessary to implement each element of the uniform  
13 framework identified in response to Question No. 1?

14 Response:

15                    To implement this proposed regulatory framework, only minor steps are necessary. Frontier  
16 would need to submit tariff filings to conform its tariff to the new framework. Second, as part of its  
17 order in this proceeding, the Commission should make explicit its intention to amend the  
18 requirements of General Order 96-A regarding the one day effective date of tariff filings submitted by  
19 NRF LECs and CLECs. Finally, the Commission should include an explicit determination that the  
20 framework adopted in this proceeding completely supersedes the NRF.

21  
22 Issue No. 3:    Which elements of the uniform framework identified in response to Question No. 1  
23 can be implemented immediately and without hearings?

24 Response:

25                    No hearings are necessary to implement any of the elements of the uniform framework  
26 identified in Frontier's comments. That framework can be implemented immediately.

1 Issue No. 4: What specific implementation issues and details regarding the uniform regulatory  
2 framework identified in response to Question No. 1 need to be addressed in Phase 2 of  
3 this proceeding?

4 Response:

5 Frontier does not believe that any implementation issues associated with its proposal need to  
6 be considered in a Phase 2 of this proceeding.

7  
8 Issue No. 5: What criteria should be used to decide if current regulations should be replaced by a  
9 uniform regulatory framework? Have these criteria been met?

10 Response:

11 In determining whether to replace current regulations, the Commission should evaluate  
12 whether those regulations impede a carrier's ability to effectively compete in today's  
13 telecommunications marketplace. Frontier's comments demonstrate that it faces substantial  
14 competitive pressures in its service area. Regulations that limit Frontier's ability to offer promotions,  
15 bundle services and respond quickly to price changes interfere with Frontier's ability to compete.  
16 Accordingly, the Commission has a compelling basis upon which to base its decision to replace  
17 existing regulations.

18  
19 Issue No. 6: Why is the uniform regulatory framework identified in response to Question No. 1  
20 superior to current regulations?

21 Response:

22 The uniform regulatory framework identified in Frontier's comments is superior because it  
23 permits NRF carriers to respond to the competitive pressures in their service areas. At the same time,  
24 the Commission retains pricing and service quality oversight of basic residential local exchange  
25 access line service. Public policy programs, such as the Universal Lifeline Telephone Service, would  
26 also continue to provide low-income individuals access to dial tone. Frontier's approach balances  
27 universal service interests with the need to give NRF carriers the tools to compete effectively.

1  
2 **Issue No. 7:** How does the uniform regulatory framework identified in response to Question No. 1  
3 achieve the following objectives: (A) Ensure, to the extent feasible, that every person  
4 and business in California has access to modern, affordable, and high quality  
5 telecommunications services; (B) treat all competitors and technologies neutrally; and  
6 (C) encourage technological innovation, economic development, and employment in  
7 California?

8 **Response:**

9 The Frontier proposal does not modify the existing carrier of last resort obligation shared by  
10 all NRF carriers. Accordingly, subscribers would continue to have access to service under the  
11 proposed revisions. The Commission would retain pricing and service quality oversight on  
12 residential basic exchange access line service, allowing the Commission to set the rates for such  
13 service at levels that make telephone service affordable to the largest number of subscribers. The  
14 competitive options available to businesses are such that price regulation is not necessary for this  
15 service offering. The reduction in regulation proposed in these comments will treat competitors more  
16 equally and will spur innovation as the NRF carriers are freed up to compete in an unfettered manner.  
17

18 **Issue No. 8:** What criteria and procedures should be used to (A) determine which services should  
19 remain subject to price regulation; (B) set and revise prices for services that remain  
20 subject to price regulation; and (C) remove a particular service from price regulation  
21 in the future?

22 **Response:**

23 The only service that should remain price regulated is residential basic service. In arriving at  
24 this conclusion, Frontier evaluated the direction in which the telecommunications market is headed.  
25 The proliferation of service providers and technologies provides compelling evidence that access to  
26 voice communications will not be an issue in the future. Given this proliferation, competition will  
27 work effectively to ensure reasonable rates are charged for the myriad services that will be offered.  
28

1 In an abundance of caution and to ensure that subscribers have access to the minimum level of  
2 service necessary to protect their personal safety at the home, Frontier's proposal would retain  
3 Commission oversight of basic residential service. There is no compelling need to maintain such  
4 oversight for any other telecommunications service.

5  
6 Issue No. 9: What existing monitoring reports and auditing requirements should be modified or  
7 eliminated under the uniform regulatory framework? What new reports and audit  
8 requirements, if any, should be added?

9 Response:

10 Under Frontier's proposal, all Commission-mandated NRF monitoring reports would be  
11 eliminated. Similarly, regular audits would be unnecessary, because carrier operations would, for the  
12 most part, not be subject to Commission oversight.

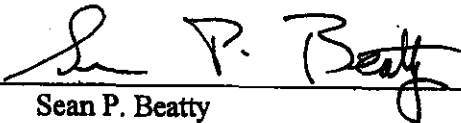
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14 **III.**

15 **CONCLUSION**

16 Based on the foregoing, the Commission should eliminate NRF and replace it with the  
17 uniform regulatory framework identified in the OIR subject to the modifications identified in these  
18 comments.

1 Dated this 31<sup>st</sup> day of May, 2005, at San Francisco, California.  
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